

**REPORT OF THE AUDIT OF THE
LIVINGSTON COUNTY
SHERIFF**

**For The Year Ended
December 31, 2014**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT OF THE
LIVINGSTON COUNTY SHERIFF

For The Year Ended
December 31, 2014

The Auditor of Public Accounts has completed the Livingston County Sheriff's audit for the year ended December 31, 2014. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the receipts, disbursements, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$764 from the prior year, resulting in excess fees of \$852 as of December 31, 2014. Receipts decreased by \$45,882 from the prior year and disbursements decreased by \$46,646.

Report Comments:

- 2014-001 The Livingston County Sheriff's Office Lacks Adequate Segregation Of Duties
- 2014-002 The Sheriff Did Not Properly Remit Facility Fees Collected To The Livingston County Fiscal Court
- 2014-003 The Livingston County Sheriff Expended \$852 Of Public Funds On Unallowable Expenses
- 2014-004 The Livingston County Sheriff Should Not Commingle Official Drug Fund Activity With Charitable Event Transactions
- 2014-005 The Livingston County Sheriff Used Grant Funds Owed To Fiscal Court As Operating Fees
- 2014-006 The Livingston County Sheriff's Actual Operating Disbursements Exceeded The Approved Budget
- 2014-007 The Sheriff's Disbursements Exceeded Available Receipts By \$28,975
- 2014-008 The Livingston County Sheriff Did Not Maintain Proper Accounting Records On All Funds Handled By His Office

Deposits:

The Sheriff's deposits as of December 31, 2014 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$35,215

The Sheriff's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the Sheriff's deposits in accordance with the security agreement.

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Chris Lasher, Livingston County Judge/Executive
The Honorable Bobby Davidson, Livingston County Sheriff
Members of the Livingston County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the County Sheriff of Livingston County, Kentucky, for the year ended December 31, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.



The Honorable Chris Lasher, Livingston County Judge/Executive
The Honorable Bobby Davidson, Livingston County Sheriff
Members of the Livingston County Fiscal Court

Auditor's Responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the County Sheriff on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the County Sheriff, as of December 31, 2014, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2014, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2016 on our consideration of the Livingston County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Livingston County Sheriff's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

The Honorable Chris Lasher, Livingston County Judge/Executive
The Honorable Bobby Davidson, Livingston County Sheriff
Members of the Livingston County Fiscal Court

Other Reporting Required by *Government Auditing Standards* (Continued)

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2014-001 The Livingston County Sheriff's Office Lacks Adequate Segregation Of Duties
- 2014-002 The Sheriff Did Not Properly Remit Facility Fees Collected To The Livingston County Fiscal Court
- 2014-003 The Livingston County Sheriff Expended \$852 Of Public Funds On Unallowable Expenses
- 2014-004 The Livingston County Sheriff Should Not Commingle Official Drug Fund Activity With Charitable Event Transactions
- 2014-005 The Livingston County Sheriff Used Grant Funds Owed To Fiscal Court As Operating Fees
- 2014-006 The Livingston County Sheriff's Actual Operating Disbursements Exceeded The Approved Budget
- 2014-007 The Sheriff's Disbursements Exceeded Available Receipts By \$28,975
- 2014-008 The Livingston County Sheriff Did Not Maintain Proper Accounting Records On All Funds Handled By His Office

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

January 29, 2016

LIVINGSTON COUNTY
BOBBY DAVIDSON, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2014

Receipts

Federal Grant		
DUI Service Fees Grant	\$	1,950
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		20,251
State Fees For Services:		
State Fees For Services		26,230
Circuit Court Clerk:		
Circuit Clerk		370
Fiscal Court		32,425
County Clerk - Delinquent Taxes		6,915
Commission On Taxes Collected		202,547
Fees Collected For Services:		
Auto Inspections	\$	2,160
Accident and Police Reports		579
Serving Papers		12,810
Carrying Concealed Deadly Weapon Permits		<u>3,920</u>
		19,469
Other:		
Add-On Fees		26,882
Park Patrol Contract		8,320
Miscellaneous		<u>6,676</u>
		41,878
Interest Earned		99
Borrowed Money:		
State Advancement		<u>60,000</u>
Total Receipts		412,134

The accompanying notes are an integral part of this financial statement.

LIVINGSTON COUNTY
BOBBY DAVIDSON, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2014
(Continued)

Disbursements

Operating Disbursements:

Personnel Services-

Deputies' Salaries	\$ 96,229
KLEFPF Salaries	13,962
Part-Time Salaries	8,574
Other Salaries	46,358
Overtime	4,660

Employee Benefits-

Employer's Share Retirement	4,884
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Contracted Services-

Advertising	302
Vehicle Maintenance and Repairs	11,527

Materials and Supplies-

Office Materials and Supplies	7,542
Uniforms	9,654

Auto Expense-

Gasoline	45,868
Maintenance and Repairs	2,864

Other Charges-

Dues	787
Postage	150
Miscellaneous	8,119
Reimburse Fiscal Court-Grant Expense	1,950
Fees Collected For Fiscal Court	2,570
Bailiff Fees	<u>5,960</u>
	\$ 271,960

Debt Service:

State Advancement	<u>60,000</u>
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Total Disbursements \$ 331,960

Less: Disallowed Disbursements

Late Fees	(39)
Finance Charges	(61)
Missing Itemized Invoice	(105)
Missing Invoice	(220)
Unofficial Business	<u>(427)</u>
	<u>(852)</u>

Total Allowable Disbursements 331,108

The accompanying notes are an integral part of this financial statement.

LIVINGSTON COUNTY
BOBBY DAVIDSON, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2014
(Continued)

Net Receipts	\$ 81,026
Less: Statutory Maximum	<u>76,264</u>
Excess Fees	4,762
Less: Training Incentive Benefit	<u>3,910</u>
Excess Fees Due County for 2014*	<u><u>\$ 852</u></u>

* - The Sheriff paid the excess fees due the county on February 1, 2016.

The accompanying notes are an integral part of this financial statement.

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2014

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the Fiscal Court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.192 requires the Sheriff to settle excess fees with the Fiscal Court at the time he files his final settlement with the Fiscal Court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2014 services
- Reimbursements for 2014 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2014

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

LIVINGSTON COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2014
 (Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent for the first six months and 17.67 percent for the last six months.

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 35.70 percent for the first six months and 34.31 percent for the last six months.

The Sheriff's contribution for calendar year 2012 was \$4,267, calendar year 2013 was \$4,040, and calendar year 2014 was \$4,884.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

LIVINGSTON COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2014
 (Continued)

Note 2. Employee Retirement System (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Livingston County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Livingston County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2014, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the Sheriff's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$35,215

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2014
(Continued)

Note 4. Drug Forfeiture Fund

The Livingston County Sheriff maintains a Drug Forfeiture Fund. The account is to be funded by court-ordered forfeitures of money, by funds received from sale of forfeited assets, and by interest received on deposits. The funds are to be used for various law-enforcement operations, equipment, and education. As of January 1, 2014, the fund had a balance of \$8,212. During the year, funds of \$6,428 were received and \$9,732 was expended, leaving a balance of \$4,908 as of December 31, 2014.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Chris Lasher, Livingston County Judge/Executive
The Honorable Bobby Davidson, Livingston County Sheriff
Members of the Livingston County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards***

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Livingston County Sheriff for the year ended December 31, 2014, and the related notes to the financial statement and have issued our report thereon dated January 29, 2016. The County Sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Livingston County Sheriff's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Livingston County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Livingston County Sheriff's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comment and recommendation, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2014-001, 2014-004, 2014-007, and 2014-008 to be material weaknesses.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Livingston County Sheriff's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments and recommendations as items 2014-002, 2014-003, 2014-004, 2014-005, 2014-006, 2014-007, and 2014-008.

County Sheriff's Response to Findings

The Livingston County Sheriff's responses to the findings identified in our audit are described in the accompanying comments and recommendations. The County Sheriff's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Mike Harmon', followed by a horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

January 29, 2016

COMMENTS AND RECOMMENDATIONS

LIVINGSTON COUNTY
BOBBY DAVIDSON, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2014

FINANCIAL STATEMENT FINDINGS:

2014-001 The Livingston County Sheriff's Office Lacks Adequate Segregation Of Duties

The same employee is responsible for collecting fees from customers, preparing daily deposits, preparing and signing checks, posting transactions to the ledgers, preparing monthly bank reconciliations, and also preparing quarterly and annual financial reports. The Sheriff or another employee did not document oversight of any of these activities. This condition is the result of a limited budget, which places restrictions on the number of employees the Sheriff can hire or delegate duties to. A lack of segregation of these duties or strong oversight increases the risk that errors or even fraud could occur and not be detected. Good internal controls dictate that certain accounting functions be separated to ensure accurate financial reporting of the activities at the Sheriff's office. The Sheriff should separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliation, and preparing financial reports. If this is not feasible due to a limited budget, cross-checking procedures should be implemented and documented by the individual performing the procedure.

Sheriff Bobby Davidson's Response: There is not enough funds generated to hire extra staff needed to implement needed procedures.

2014-002 The Sheriff Did Not Properly Remit Facility Fees Collected To The Livingston County Fiscal Court

In 2002, the Livingston County Fiscal Court passed an ordinance directing the Sheriff to collect an additional \$10 fee for service of court documents as authorized by KRS 64.091. The Sheriff is collecting the additional fee but is not remitting the proper amount to the Fiscal Court on a monthly basis as established by the ordinance. During calendar year 2014, the Sheriff collected \$2,570 of these court facility fees but only paid the Fiscal Court \$1,026. The Sheriff's bookkeeper stated that the amount remitted to the county was calculated based on 10% of the fees collected rather than \$10 per service of documents. By not paying over the proper amount, the Sheriff is denying Fiscal Court its rightful fees collected. The Livingston County Sheriff should comply with the county ordinance by remitting the proper fees collected to the Fiscal Court on a monthly basis.

Sheriff Bobby Davidson's Response: This has been corrected.

LIVINGSTON COUNTY
BOBBY DAVIDSON, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2014-003 The Livingston County Sheriff Expended \$852 Of Public Funds On Unallowable Expenses

The Livingston County Sheriff expended \$852 of public funds on unallowable expenses, such as advertising for a local picnic, late fees, interest, and expenses that were not adequately supported. In Funk vs. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature.

The Sheriff did not maintain the original invoices or itemized receipts for disbursements totaling \$325. Additionally, the Sheriff did not pay the full balance due on the credit card, which resulted in \$100 of finance charges and interest being paid. There were additional disbursements of \$427 made from the fee account that were not for official business. Due to a lack of detailed receipts supporting payments or credit card charges, the allowability and/or reasonableness of the disbursement cannot be determined. These disbursements are not allowable since it cannot be established they were made for official business. Failure to maintain adequate records as well as payments of late fees and interest results in a possible misuse of public funds.

The Sheriff should personally reimburse the fee account for the unallowable expenses. We recommend the Sheriff maintain original invoices for all payments made from the official fee account, attach all necessary supporting documentation to credit card statements to support credit card charges to ensure that all disbursements are for allowable expenses of the Sheriff's office, and pay all expenses timely to avoid incurring any finance charges.

Sheriff Bobby Davidson's Response: This has been corrected and paid to Fiscal Court.

2014-004 The Livingston County Sheriff Should Not Commingle Official Drug Fund Activity With Charitable Event Transactions

During calendar year 2014, the Livingston County Sheriff received and expended funds for a charity golf scramble. The charity event was to raise money to be used for a local school program. The Livingston County Sheriff commingled the charity event expenses and receipts with official drug funds. KRS 218A.420(4)(a) requires that drug funds must be used (i.e., spent) by the sheriff's office for "direct law enforcement purposes." The phrase "direct law enforcement purpose" is defined, in 500 KAR 9:010(6), to mean "any activity of a [county sheriff] . . . which materially facilitates enforcement of the laws of the Commonwealth of Kentucky." By handling charitable activities at the Sheriff's office, the Sheriff is performing a function that is not related to the duties of the Sheriff's office. The Sheriff's intent is to have a way to fund the D.A.R.E. program through his office. Since charitable funds do not meet the criteria for drug fund receipts, they should not be handled through the drug fund and could cause disallowed expenses. Also, fund raising events are not an allowable source of revenue for the Sheriff's office. We recommend that these charitable activities be handled and accounted for externally from the Sheriff's office.

Sheriff Bobby Davidson's Response: This will not happen again-we understand the procedures.

LIVINGSTON COUNTY
BOBBY DAVIDSON, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2014-005 The Livingston County Sheriff Used Grant Funds Owed To Fiscal Court As Operating Fees

In August 2014, the Livingston County Sheriff's Office was awarded a federal grant through the Kentucky Justice and Public Safety Cabinet to purchase breathalyzers in the amount of \$2,600, of which \$1,950 was to be reimbursed from federal funds. The remaining \$650 was a matching requirement. In September 2014, the Fiscal Court purchased the breathalyzers since the Sheriff did not have available funds. The Sheriff agreed to reimburse the Fiscal Court once the grant funds were received. The Sheriff received the grant reimbursement in December 2014 but failed to reimburse these funds to the Fiscal Court as previously agreed.

The Sheriff used the federal reimbursement as fees for his office instead of reimbursing the Fiscal Court. The Sheriff did not track his grant funds properly. The nonpayment of the grant reimbursement caused the amount repaid to the Fiscal Court for salaries to be overstated by \$1,950. We recommend the Sheriff not use funds owed to the Fiscal Court as operating fees of his office and properly remit owed funds to the Fiscal Court.

Sheriff Bobby Davidson's Response: This has been corrected and we will follow procedures on grants.

2014-006 The Livingston County Sheriff's Actual Operating Disbursements Exceeded The Approved Budget

The Livingston County Sheriff exceeded his approved budget for calendar year 2014 by \$11,174. The state local finance officer requires the Fiscal Court to approve a calendar year budget for each fee office as a component of the county's budget preparation process by January 15th of each year. KRS 68.210 states that the administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe a system of uniform accounts for all counties and county officials.

Even though the Sheriff submitted a budget amendment prior to year end, it did not sufficiently increase the approved budget to cover the actual expenses of the Sheriff's office for calendar year 2014. For calendar year 2014, the Livingston County Fiscal Court approved the Sheriff's fee budget for official expenses at \$400,960. However, the Sheriff expended \$412,134 during the calendar year, which exceeds the budget by \$11,174. The Sheriff did not adequately monitor his budget to assure he would not exceed the approved budget. Failure to do so shows a lack of fiscal responsibility and places public funds at risk.

We recommend the Sheriff not make disbursements that exceed his approved budget. The Sheriff should monitor his budget throughout the year and request budget amendments sufficient to cover actual expenses as necessary.

Sheriff Bobby Davidson's Response: We are following guidelines to keep this from happening again.

LIVINGSTON COUNTY
BOBBY DAVIDSON, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2014-007 The Sheriff's Disbursements Exceeded Available Receipts By \$28,975

During testing of payroll, we noted the Sheriff's payments to the Livingston County Treasurer for payroll were less than the amount paid by the Fiscal Court for the Sheriff's payroll for calendar year 2014. The Sheriff had payroll costs of \$28,975 that were paid by the Fiscal Court that were not reimbursed by the Sheriff during calendar year 2014. Prudent accounting practices dictate the Sheriff should not spend more than he receives in any calendar year. The Livingston County Fiscal Court pays the Sheriff's payroll and then is to be reimbursed by the Sheriff's office. Since the Sheriff did not have adequate revenues to repay the payroll expenses paid by the Fiscal Court, he obligated and used Fiscal Court resources. We recommend the Sheriff not expend more funds than received in a calendar year.

Sheriff Bobby Davidson's Response: We are following guidelines to keep this from happening again.

2014-008 The Livingston County Sheriff Did Not Maintain Proper Accounting Records On All Funds Handled By His Office

The Livingston County Sheriff did not maintain proper accounting records for his drug fund and fee account. KRS 68.210 authorizes the State Local Finance Officer to establish minimum accounting requirements for handling public funds. These requirements include maintaining receipts and disbursements ledgers, as well as documentation to support all monies received and expended. Also, KRS 134.160 states, in relevant part, "(2)(a) The sheriff shall keep an accurate account of all moneys received and all disbursements made, showing: 1. The amount; 2. The date and time of payment or disbursement; 3. The name of the person making the payment or to whom the disbursement was made; and 4. The account the payment was credited to or the disbursement deducted from." The Sheriff did not properly maintain a receipts and disbursements ledger for his drug fund. Also, fee account disbursements were not recorded in the appropriate categories. Inaccurate records cause amounts reported to be misstated and funds could be misappropriated. The Livingston County Sheriff should maintain proper accounting records for all funds handled by the Sheriff's office.

Sheriff Bobby Davidson's Response: We have setup new excel report to help keep records clearer and more efficient.

